

In this KLiP, we will discuss,

11. Employment with an Assurance Client

Employment relationships with an assurance client might create a self-interest, familiarity or intimidation threat.

Situation 1: When a former partner or assurance team member joins an assurance client

A familiarity or intimidation threat is created, if a former partner has joined an assurance client of the firm or a former assurance team member has joined the assurance client as:

- I. A director or officer; or
- II. An employee in a position to exert significant influence over the underlying subject matter or, in an attestation or assurance engagement, the individual shall not continue to participate in the firm's business or professional activities.

Factors that are relevant in evaluating the level of such threats include:

- ♣ The position the individual has taken at the client office.
- ♣ Any involvement the individual will have with the assurance team.
- ♣ The length of time since the individual was an assurance team member or partner of the firm.
- ♣ The former position of the individual within the assurance team or firm.

Examples of actions that might be safeguards to address such a familiarity or intimidation threat include:

- ♣ Ensuring that the individual is not entitled to any benefits or payments from the firm, unless there was fixed pre-determined arrangements.
- ♣ Making arrangements such that any amount owed to the individual is not material to the firm.
- ♣ Modifying the plan for the assurance engagement.
- ♣ Assigning to the assurance team individuals who have sufficient experience relative to the individual who has joined the client.
- ♣ Having an appropriate reviewer review the work of the former assurance team member.

Situation 2: When an assurance team member enters employment negotiations with a client

A firm shall have policies and procedures that require assurance team members to notify the firm when entering employment negotiations with an assurance client.

An example of an action that might eliminate such a self-interest threat is removing the individual from the assurance engagement and an action that might be a safeguard to address such a threat is having an appropriate reviewer review any significant judgments made by that assurance team member while on the team.

With this we come to the end of the KLiP.